

Message Text

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ORIGIN EB-08

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FM SECSTATE WASHDC
TO AMEMBASSY TAIPEI

UNCLAS STATE 108344

E.O. 11652:N/A

TAGS:EAIR, TW

SUBJECT:CIVAIR: GROUND HANDLING COMPANY

REFERENCE: TAIPEI 02367

1. DEPARTMENT SUPPORTS AIRLINES' PROTEST OF GROG PLANS TO
ESTABLISH A GROUND HANDLING MONOPOLY. FOLLOWING IS DRAFT
TEXT FOR NOTE WHICH SHOULD BE SUBMITTED TO APPROPRIATE
GROC AUTHORITIES.

QUOTE: THE EMBASSY PRESENTS ITS COMPLIMENTS AND HAS THE
HONOR TO REFER TO THE RECENT ANNOUNCEMENT BY THE GROG TO
FORM A CENTRALIZED GROUND HANDLING COMPANY AT THE NEW
TAOYUAN INTERNATIONAL AIRPORT WHEN IT OPENS IN 1979. THE
USG STRONGLY OPPOSES THE ESTABLISHMENT OF GROUND HANDLING
MONOPOLIES. MONOPOLIES ELIMINATE ONE IMPORTANT AREA OF
COMPETITION BETWEEN AIRLINES AND TAKE AWAY FROM AIRLINES
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THE POSSIBILITY OF PROVIDING THE CONSUMER WITH BETTER
SERVICE EXPERIENCE, UNFORTUNATELY, SHOWS THE ESTABLISHMENT
OF SUCH MONOPOLIS FREQUENTLY RESULTS IN DETERIORATION OF
SERVICE, A TENDENCY TO FAVOR THE NATIONAL AIRLINE, AND UN-
JUSTIFIED HIGHER COST. THE USG CALLS THE ATTENTION OF THE
GROC TO RECOMMENDED PRACTICES 6.4 OF ICAO ANNEX 9 AND

URGES THAT THE GROC ACCORD AIRLINES THE FREEDOM OF CHOICE AMONG THE ALTERNATIVES RECOMMENDED THEREIN: SELF-HANDLING, HANDLING BY OTHER AIRLINES, HANDLING BY APPROVED SERVICING AGENTS, AND HANDLING BY THE AIRPORT AUTHORITY. COM-
PLIMENTARY CLOSING. UNQUOTE

2. RECENT GAO REPORT DID CITE EXAMPLES OF GROUND HANDLING MONOPOLIES AROUND THE WORLD, BUT THE REPORT WENT ON TO COMMENT UPON THEM IN CRITICAL VEIN. USG HAS TAKEN SIMILAR STANCE WITH OTHER GOVERNMENTS, E.G. SINGAPORE, WHEN SUCH PLANS TO ESTABLISH GROUND HANDLING MONOPOLIS WERE ANNOUNCED. IN ADDITION, SINCE SUCH MONOPOLIS INVARIABLY RESULT IN HIGHER CHARGES, THE USG CAREFULLY MONITORS THE STATUS OF THESE CHARGES AFTER THE MONOPOLY IS FORMED. SUCH MONITORING IS PERFORMED PURSUANT TO OUR RESPONSIBILITIES UNDER THE FAIR COMPETITIVE PRACTICES ACT OF 1974 WHICH PROVIDES FOR APPROPRIATE ACTION SHOULD THE CHARGES BE FOUND UNREASONABLY TO EXCEED COMPARABLE CHARGES IN THE U.S. (COPY OF ACT WILL BE POUCHED TO EMBASSY).

3. ACTION REQUESTED: EMBASSY REQUESTED TO DELIVER NOTE TO APPROPRIATE GROC AUTHORITIES USING DRAFT TEXT PROVIDED FOREGOING. AT SAME TIME, REQUEST EMBASSY OBTAIN FOLLOWING INFORMATION:

1) WILL PROPOSED GROUND HANDLING COMPANY BE UNDER CONTROL
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OF GOVERNMENT, OR OF THE AIRPORT AUTHORITY? WOULD IT
MAKE A DIFFERENCE WHO CONTROLLED?

2) HOW FIRM IS "EARLY 1979" OPENING DATE?

3) HOW MUCH AND WHAT TYPE OF ITS OWN GROUND HANDLING DOES
FLYING TIGER PERFORM?

4) ROUGH ESTIMATE OF INVESTMENT IN EQUIPMENT AND PERSONNEL OF NORTHWEST AND FLYING TIGER WHICH WOULD BE AFFECTED BY IMPLEMENTATION OF GROC DECISION? VANCE

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